

# COMMONWEALTH BANK | CHAIRMAN'S REPORT ON UNAUDITED RESULTS JUNE 30, 2022

The Bank delivered a noteworthy fiscal consolidated total profit for the year to date June 30, 2022, of \$42.8 million compared to a consolidated total loss of \$10.3 million for the same period in the prior year.

The positive financial momentum is built on three primary drivers. The economy of The Bahamas continues to rebound from the extraordinary COVID-19 pandemic-related effects with increased trade generating economic activity and increased demand for credit. The Bank experienced growth of its non-interest income through the recovery of its net premium arising from its credit life insurance business, as death claims have significantly reduced by 50% in 2022 when compared to the same reporting period in 2021. In addition, the Bank's management is focused on providing value-added services to customers which are fee-income generating. A part of the growth in fee income is happening because customer accounts are growing as the Bank continues to attract customers through its philosophy of "banking your way" and the convenience of its Saturday banking services. There is significant attention given to account control and delinquency management. The result is a sustained reversal of the impairment expense for the first half of 2022 of \$17.7 million when compared to the same period in 2021, which reflected an impairment expense of \$45.8 million.

The promising recovery of the Bahamian economy from the negative impacts of the COVID-19 pandemic health and economic crisis supports a view of cautious optimism for stabilized and improved lending conditions, which drives the Bank's profitability.

The Bank continues to maintain a fortified consolidated financial position with a strong level of liquidity (available cash and unencumbered high-quality liquid assets at market value), which positions us well to adapt to stresses posed by this business environment. The Bank is required to hold a minimum level of liquid assets against possible liquidity risk, currently set by the Central Bank at a liquidity ratio of 20%. As of June 30, 2022, the Bank's liquidity ratio is 68%, well above this regulatory limit.

Additionally, under our capital plan, the Bank operates with a level of capital above regulatory established well-capitalized limits. The Bank's capital adequacy ratio is over 30% and well above the Central Bank's requirements of 17%.

During the quarter the Bank paid quarterly dividends of 1 cent per share bringing total dividends paid for the year to date to 2 cents per share, totaling \$5.9 million.

I would like to extend my sincere appreciation to our team of professionals that continues to deliver exceptional service to our customers every day. I am truly inspired by their commitment to excellence despite very challenging circumstances. I also extend gratitude to our shareholders and customers for their continued, unwavering support. Together, we will grow stronger through adversity and emerge resilient on the other side of this pandemic.

**William B. Sands, Jr.**  
Executive Chairman

## COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Expressed in B\$ '000s) (Unaudited)

	June 30, 2022	December 31, 2021
<b>ASSETS</b>		
Cash and deposits with banks	\$ 322,733	\$ 192,458
Investments, net	644,471	698,857
Loans and advances to customers, net	772,370	767,541
Other assets	11,380	9,680
Right of use assets	1,045	1,301
Premises and equipment	45,893	47,068
<b>TOTAL</b>	<b>\$ 1,797,892</b>	<b>\$ 1,716,905</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Deposits from customers	\$ 1,499,678	\$ 1,462,218
Life assurance fund liability	1,523	1,011
Lease liabilities	1,112	1,369
Other liabilities	17,226	13,816
Total liabilities	1,519,539	1,478,414
Equity:		
Share capital	1,953	1,946
Share premium	14,577	11,667
Retained earnings	261,823	224,878
Total equity	278,353	238,491
<b>TOTAL</b>	<b>\$ 1,797,892</b>	<b>\$ 1,716,905</b>

## COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Expressed in B\$ '000s) (Unaudited)

	6 months ended June 30, 2022	6 months ended June 30, 2021 (Restated)
<b>SHARE CAPITAL</b>		
Common shares		
Balance at beginning of period	\$ 1,946	\$ 1,918
Repurchase of common shares	(2)	-
Sale of treasury shares	9	14
Balance at end of period	1,953	1,932
Total Share Capital	1,953	1,932
<b>SHARE PREMIUM</b>		
Balance at beginning of period	11,667	1,048
Repurchase of common shares	(276)	-
Sale of treasury shares	3,186	5,986
Balance at end of period	14,577	7,034
<b>RETAINED EARNINGS</b>		
Balance at beginning of period	224,878	266,453
Total comprehensive income	42,793	(10,203)
Common share dividends	(5,848)	(5,765)
Balance at end of period	261,823	250,485

## COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Expressed in B\$ '000s) (Unaudited)

	3 months ended June 30, 2022	3 months ended June 30, 2021 (Restated)
<b>INCOME:</b>		
Interest income, effective interest rate method	\$ 28,523	\$ 33,962
Interest expense	(4,317)	(4,204)
Net interest income	24,206	29,758
Credit life insurance premium	1,199	1,402
Fees and other income	7,835	5,545
Insurance recoveries	-	-
Net change in unrealised (loss) gain on equity investment at FVTPL	(915)	180
Total income	32,325	36,885
<b>NON-INTEREST EXPENSE:</b>		
General and administrative	17,969	17,459
Impairment (reversals) losses on financial assets	(247)	25,056
Insurance claims	465	744
Change in insurance reserves	556	265
Depreciation on right of use assets	105	-
Other depreciation and amortization	949	900
Finance cost	12	-
Losses (gains) on disposal of premises and equipment	25	(3)
Directors' fees	104	68
Total non-interest expense	19,938	44,489
<b>TOTAL PROFIT (LOSS) &amp; OTHER COMPREHENSIVE INCOME</b>	<b>\$ 12,387</b>	<b>\$ (7,604)</b>
<b>EARNINGS (LOSS) PER COMMON SHARE</b> (expressed in dollars)	<b>\$ 0.05</b>	<b>\$ (0.03)</b>

## COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Expressed in B\$ '000s) (Unaudited)

	6 months ended June 30, 2022	6 months ended June 30, 2021 (Restated)
<b>INCOME:</b>		
Interest income, effective interest rate method	\$ 60,036	\$ 68,303
Interest expense	(8,556)	(8,281)
Net interest income	51,480	60,022
Credit life insurance premium	2,459	2,389
Fees and other income	11,613	10,371
Insurance recoveries	-	-
Net change in unrealised (loss) gain on equity investment at FVTPL	(964)	180
Total income	64,588	72,962
<b>NON-INTEREST EXPENSE:</b>		
General and administrative	35,611	33,417
Impairment (reversals) losses on financial assets	(17,650)	45,796
Insurance claims	930	1,839
Change in insurance reserves	556	265
Depreciation on right of use assets	256	-
Other depreciation and amortization	1,875	1,794
Finance cost	26	-
Losses (gains) on disposal of premises and equipment	19	(3)
Directors' fees	172	137
Total non-interest expense	21,795	83,245
<b>TOTAL PROFIT (LOSS) &amp; OTHER COMPREHENSIVE INCOME</b>	<b>\$ 42,793</b>	<b>\$ (10,283)</b>
<b>EARNINGS (LOSS) PER COMMON SHARE</b> (expressed in dollars)	<b>\$ 0.15</b>	<b>\$ (0.04)</b>

## COMMONWEALTH BANK LIMITED NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2022 (Expressed in B\$ '000s) (Unaudited)

### 1. ACCOUNTING POLICIES

These consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting*.

The consolidated financial statements include the accounts of Commonwealth Bank Limited ("the Bank") and its wholly owned subsidiary companies. The subsidiaries are Laurentide Insurance and Mortgage Company Limited, Laurentide Insurance Agency Limited, C.B. Securities Ltd., and C.B. Holding Co. Ltd.

## COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS (Expressed in B\$ '000s) (Unaudited)

	6 months ended June 30, 2022	6 months ended June 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit (loss)	\$ 42,793	\$ (10,283)
Adjustments for:		
Depreciation on right of use assets	256	-
Other depreciation and amortization	1,875	1,791
Loan impairment expense	(17,650)	45,796
Interest income	(60,036)	(68,303)
Interest expense	8,556	8,281
Loss (Gain) on disposal of impaired assets, premises and equipment	19	(3)
Net change in unrealised loss on equity investment at FVTPL	964	(180)
Change in loans and advances to customers	11,096	15,501
Change in minimum reserve requirement	(1,084)	(445)
Change in restricted deposit	-	-
Change in other assets	(1,700)	10,773
Change in other liabilities	3,410	(1,769)
Change in life assurance fund liability	512	265
Finance cost on lease liabilities	26	-
Change in deposits	39,069	12,498
Interest received	62,333	63,145
Interest paid	(10,165)	(3,266)
Net cash from operating activities	80,274	73,801
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(638,426)	(287,443)
Redemption of investments	691,274	231,920
Purchases of premises and equipment	(800)	(5,074)
Net proceeds from sale of premises and equipment	81	17
Net cash (used in) from investing activities	52,129	(60,580)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid	(5,848)	(5,765)
Repurchase of common shares	(278)	-
Sale of treasury	3,195	6,000
Payment of lease liabilities	(283)	-
Net cash (outflow) inflow from financing activities	(3,214)	235
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>129,189</b>	<b>13,456</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>\$ 135,132</b>	<b>\$ 217,507</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>264,321</b>	<b>230,963</b>

### 2. DIVIDENDS

During the six months the Bank paid total dividends per share of 2 cents per common share (2021: 2 cents) for a total payment of \$5.8 million (2021: \$5.8 million).

### 3. BUSINESS SEGMENTS

For management purposes, the Bank including its subsidiaries is organized into five operating units – Retail Bank, Credit Life Company, Real Estate Holdings, Investment Holdings and Insurance Agency Operations. The following table shows financial information by business segment for the year to date:

	2022						
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated
<b>Income (Loss)</b>							
External	\$ 62,773	\$ 1,815	\$ -	\$ -	\$ -	\$ -	\$ 64,588
Internal	(1,847)	1	2,018	966	244	(1,382)	-
Total income (Loss)	\$ 60,926	\$ 1,816	\$ 2,018	\$ 966	\$ 244	\$ (1,382)	\$ 64,588
<b>Total Profit (Loss)</b>							
Internal & external	\$ 42,731	\$ 1,389	\$ 910	\$ 942	\$ 109	\$ (3,288)	\$ 42,793
<b>2021</b>							
<b>Income (Loss)</b>							
External	\$ 69,348	\$ 3,605	\$ 8	\$ -	\$ -	\$ -	\$ 72,962
Internal	2,208	(134)	1,897	(6,005)	311	1,723	-
Total income (Loss)	\$ 71,556	\$ 3,471	\$ 1,905	\$ (6,005)	\$ 311	\$ 1,723	\$ 72,962
<b>Total Profit (Loss)</b>							
Internal & external	\$ (5,716)	\$ 1,082	\$ 838	\$ (6,565)	\$ 180	\$ (102)	\$ (10,283)